CONNECTICUT CONFERENCE OF MUNICIPALITIES
THE VOICE OF LOCAL GOVERNMENT

CCM 2014 Testimony

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PLANNING & DEVELOPMENT COMMITTEE

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The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 89% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

HB 5583, "An Act Concerning the Payment of Real Property Taxes by Certain Institutions of Higher Learning and Hospital Facilities"

CCM supports HB 5583.

HB 5583 is a proposal that recognizes that Connecticut's property tax system is broken and is in dire need of repair. It recognizes that the onus for reimbursement needs to be taken off the backs of towns and on some the institutions that receive the exemption.

The bill would relieve towns and cities from the burden of having to come to the General Assembly to request reimbursement from the State for the payment-in-lieu-of-taxes for private colleges and hospitals, and instead, require such entities to pay property taxes to municipalities and come to the State for partial reimbursement.

The proposal would require that private colleges and hospitals gradually start paying property tax assessments in 20% increments, starting in the October 1, 2014 assessment year; up to 100% for the October 1, 2018 assessment year. If municipalities chose to, they could negotiate with private colleges and hospitals regarding in kind and other payments.

Municipalities provide an array of services to private hospitals and colleges, including police and fire, road repair, among others. At the same time, many of these entities are big conglomerations, paying staff six and maybe seven figure salaries.

Municipalities across our state have enacted painful budget cuts and are making preparations for additional cuts. Deep cuts in services and massive layoffs have occurred in Connecticut's central cities – with the prospect of additional cuts and layoffs on the horizon.

Municipalities receive payments in lieu of taxes (PILOTs) from the State as partial reimbursement of lost property taxes on state-owned and on private college and hospital property. The payments are provided to offset a portion of the lost revenue from state-mandated tax exemptions on this property. This lost revenue totals about $660 million in the current year.[1] Much of this tax-exempt property is located in our poorer towns and cities.

The reimbursement rate for tax-exempt private college and hospital property is supposed to be 77 percent. The current reimbursement rate is about 33 percent. Even with the Governor's proposed increase of $8 million for FY 15, the actual reimbursement rate would increase to only 35 percent.

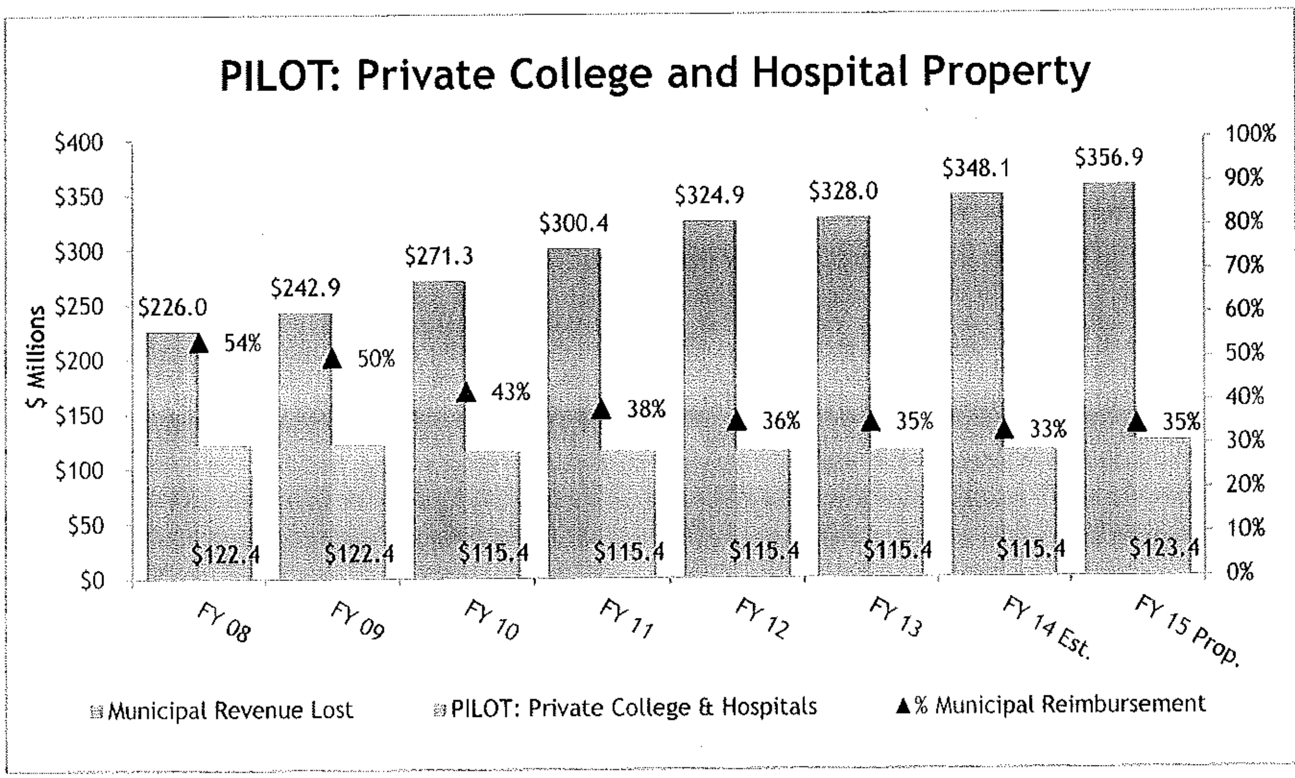
<u>The Property Tax in Connecticut</u>

The property tax is income-blind and profit-blind. It is due and payable whether a resident has a job or not, or whether a business turns a profit or not.

The property tax levy on residents and businesses in Connecticut was $8.98 billion in 2011.

Connecticut relies on property taxes more than any other revenue source to fund local government services and activities and to meet the requirements of state-mandated programs. The property tax raises over *$1 billion more* than the state personal income tax. As a result, tax-exempt property is a major issue for towns and cities – especially our core, struggling communities.

The per capita property tax burden in Connecticut is $2,522, an amount that is almost twice the national average of $1,434 and 3rd highest in the nation. Connecticut ranks 8th in property taxes paid as a percentage of median home value (1.70 percent for Connecticut vs. 1.14 percent for the US).



Source: Adopted state budgets; CCM
Note: This includes only revenue lost on real property and not additional revenue lost on personal property.

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[1] CCM estimate. PILOT reimbursements cover only *real* property and do not include revenue lost from state-mandated exemptions on *personal* property.

The actual reimbursement rates are lower due to statutes that allow the amount of the PILOT to be reduced on a pro-rated basis when state appropriations are not sufficient. In addition, these reimbursements cover only real property and do not include revenue lost from state-mandated exemptions on personal property.

When PILOT reimbursements are capped, as they have been for years, it forces other residential and business property taxpayers to make up the difference. Thus, other property taxpayers are forced to pay for the State's underfunded and unfunded property-tax exemption mandates.

The PILOT programs provide a critical funding source for towns and cities and help relieve the burden of the property tax. They are a flexible source of revenue, which is much-needed, especially after the elimination of funding for the Municipal Revenue Sharing Account (MRSA).

Below is a list of state-mandated property tax exemptions. There are 78 exemptions – yet another exemption was added in 2013.

CCM urges the Committee to favorably report this landmark legislation.

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If you have any questions, please contact Ron Thomas, Director of Public Policy & Advocacy of CCM, at rthomas@ccm-ct.org or (203) 430-5537.

STATE MANDATED PROPERTY TAX EXEMPTIONS

Every year there are many well-intentioned proposals to reduce the property tax burden of one group or another. Everybody wants out of the property tax – but peeling off one group after another is not reform. Again, these would only serve to shift the burden of those taxes to the remaining property owners of a given municipality.

Currently, there are close to two-dozen opportunities for property tax abatement at municipal option and **78 mandated ones** (see below).

In an economy where local officials are struggling to sustain critical services – amidst growing deficits, evaporating revenues, and layoffs – this bill would negatively impact hometown budgets. Towns and cities have already suffered significant cuts in state aid over the last several years and the State is currently grappling with a huge deficits. This is not the time for enacting any new unfunded mandates, no matter what the reason.

The following property is exempt from taxation per Connecticut General Statutes (C.G.S. §12-81):

1. Property of the United States
2. State property, reservation land held in trust by the state for an Indian tribe.
3. County Property (repealed).
4. Municipal Property.
5. Property held by trustees for public purposes.
6. Property of volunteer fire companies and property devoted to public use.
7. Property used for scientific, educational, literary, historical or charitable purposes.
8. College property.
9. Personal property loaned to tax-exempt educational institutions
10. Property belonging to agricultural or horticultural societies.
11. Property held for cemetery use.
12. Personal property of religious organizations devoted to religious or charitable use.
13. Houses of religious worship.
14. Property of religious organizations used for certain purposes.
15. Houses used by officiating clergymen as dwellings.
16. Hospitals and sanatoriums.
17. Blind persons.
18. Property of veterans' organizations.
    a. Property of bona fide war veterans' organization.
    b. Property of the Grand Army the Republic.
19. Veteran's exemptions.
20. Servicemen and veterans having disability ratings.
21. Disabled veterans with severe disability.
    a. Disabilities.
    b. Exemptions hereunder additional to others. Surviving spouse's rights.
    c. Municipal option to allow total exemption for residence with respect to which veteran has received assistance for special housing under Title 38 of the United States Code.
22. Surviving spouse or minor child of serviceman or veteran.
23. Serviceman's surviving spouse receiving federal benefits.
24. Surviving spouse and minor child of veteran receiving compensation from Veteran's Administration.
25. Surviving parent of deceased serviceman or veteran.
26. Parents of veterans.
27. Property of Grand Army Posts.
28. Property of United States Army instructors.
29. Property of the American National Red Cross.
30. Fuel and provisions.
31. Household furniture.
32. Private libraries.
33. Musical instruments.
34. Watches and jewelry.
35. Wearing apparel.

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36. Commercial fishing apparatus.
37. Mechanic's tools.
38. Farming tools.
39. Farm produce.
40. Sheep, goats, and swine.
41. Dairy and beef cattle and oxen.
42. Poultry.
43. Cash.
44. Nursery products.
45. Property of units of Connecticut National Guard.
46. Watercraft owned by non-residents (repealed).
47. Carriages, wagons, and bicycles.
48. Airport improvements.
49. Nonprofit camps or recreational facilities for charitable purposes.
50. Exemption of manufacturers' inventories.
51. Water pollution control structures and equipment exempt.
52. Structures and equipment for air pollution control.
53. Motor vehicle of servicemen.
54. Wholesale and retail business inventory.
55. Property of totally disabled persons.
56. Solar energy systems.
57. Class I renewable energy sources and hydropower facilities.
58. Property leased to a charitable, religious, or nonprofit organization.
59. Manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
60. Machinery and equipment in a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
61. Vessels used primarily for commercial fishing.
62. Passive solar energy systems.
63. Solar energy electricity generating and cogeneration systems.
64. Vessels.
65. Vanpool vehicles.
66. Motor vehicles leased to state agencies.
67. Beach property belonging to or held in trust for cities.
68. Any livestock used in farming or any horse or pony assessed at less than $1000.
69. Property of the Metropolitan Transportation Authority.
70. Manufacturing and equipment acquired as part of a technological upgrading of a manufacturing process in a distressed municipality or targeted investment community.
71. Any motor vehicle owned by a member of an indigenous Indian tribe or their spouse, and garaged on the reservation of the tribe (PA 89-368)
72. New machinery and equipment, applicable only in the five full assessment years following acquisition.
73. Temporary devices or structures for seasonal production, storage, or protection of plants or plant material.
74. Certain vehicles used to transport freight for hire.
75. Certain health care institutions.
76. New machinery and equipment for biotechnology, after assessment year 2011.
77. Real Property of any Regional Council or Agency.
78. Solar installations on residential property.